

**COMMISSIONERS**  
 KRISTIN K. MAYES, Chairman  
 GARY PIERCE  
 PAUL NEWMAN  
 SANDRA D. KENNEDY  
 BOB STUMP

ERNEST G. JOHNSON  
 EXECUTIVE DIRECTOR

ORIGINAL



0000118407

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## ARIZONA CORPORATION COMMISSION

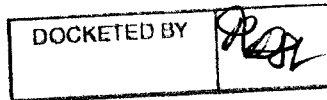
## MEMORANDUM

**TO:** Kristin K. Mayes, Chairman  
 Gary Pierce  
 Paul Newman  
 Sandra D. Kennedy  
 Bob Stump

Arizona Corporation Commission  
**DOCKETED**

SEP 28 2010

**FROM:** Matthew J. Neubert   
 Director of Securities



**DATE:** September 21, 2010

**RE:** Michael T. Bell, *et al.* (Docket No. S-20707A-09-0498); Order to Cease and Desist, for Restitution, and for Administrative Penalties and Consent to Same by: Michael T. Bell, Shawn R. Salazar, Adamas Investments, L.L.C.

**CC:** Ernest G. Johnson, Executive Director

Attached is a proposed Order to Cease and Desist, for Restitution, and for Administrative Penalties and Consent to Same by: Michael T. Bell, Shawn R. Salazar, Adamas Investments, L.L.C. (the "Order"). The Order finds that, from July 2005 to February 2007, Mr. Bell, Mr. Salazar, and Adamas Investments, L.L.C. ("Adamas") (collectively "Respondents") offered and sold to 23 investors \$1,330,500 of promissory notes issued by Adamas to finance loans to Texas-based Axiom Trading Ltd. ("Axiom") for the purchase of diamonds.

Adamas entered into six loans with Axiom. When the first promissory note by Axiom came due in September 2005, Axiom made an interest payment to Adamas that was used by Adamas to make interest payments to investors. Through an unwritten agreement reached between Adamas and Axiom, as each of the five subsequent notes came due, Axiom did not pay to Adamas the interest specified in the notes. Instead, Adamas used newly received investor funds to make payments to previous investors. Ultimately, Axiom failed to pay Adamas the principal or interest due.

The Order finds that Respondents violated A.R.S. § 44-1991 by failing to disclose to investors material facts, including that Adamas did not send Axiom all of the investor funds received by Adamas. The Order requires Mr. Bell, Mr. Salazar, and Adamas to cease and desist their activity, pay \$640,125.94 in restitution, and pay an administrative penalty in the amount of \$50,000.

The Division believes that the Order is appropriate to protect the public welfare.

Originator: Aaron S. Ludwig

1                                   **BEFORE THE ARIZONA CORPORATION COMMISSION**

2                                   **COMMISSIONERS**

3                                   KRISTIN K. MAYES, Chairman  
4                                   GARY PIERCE  
5                                   PAUL NEWMAN  
6                                   SANDRA D. KENNEDY  
7                                   BOB STUMP

8 In the matter of

9 MICHAEL T. BELL, a single man;

10 SHAWN R. SALAZAR, a married man;

11 ADAMAS INVESTMENTS, LLC, a  
12 Nevada limited liability company;

13 Respondents.

DOCKET NO. S-20707A-09-0498

DECISION NO. \_\_\_\_\_

**ORDER TO CEASE AND DESIST, FOR  
RESTITUTION, AND FOR  
ADMINISTRATIVE PENALTIES AND  
CONSENT TO SAME BY:**

**MICHAEL T. BELL**

**SHAWN R. SALAZAR**

**ADAMAS INVESTMENTS, LLC**

15           Respondents MICHAEL T. BELL ("BELL"), SHAWN R. SALAZAR ("SALAZAR"), and  
16 ADAMAS INVESTMENTS, LLC ("ADAMAS") (collectively, "Respondents") elect to  
17 permanently waive any right to a hearing and appeal under Articles 11 and 12 of the Securities Act  
18 of Arizona, A.R.S. § 44-1801 *et seq.* ("Securities Act") with respect to this Order To Cease And  
19 Desist, for Restitution, and for Administrative Penalties ("Order"). Respondents admit the  
20 jurisdiction of the Arizona Corporation Commission ("Commission"); neither admit nor deny the  
21 Findings of Fact and Conclusions of Law contained in this Order; and consent to the entry of this  
22 Order by the Commission.

23                                   **I.**

24                                   **FINDINGS OF FACT**

- 25           1.       BELL is a single man residing in Scottsdale, Arizona.
- 26           2.       SALAZAR is a married man residing in Oakland, California.

1           3.       ADAMAS is a Nevada limited liability company that was formed on June 22, 2005  
2 and whose principal place of business is Scottsdale, Arizona. ADAMAS is not authorized to transact  
3 business as a foreign entity in Arizona.

4           4.       BELL and SALAZAR are the sole managers of ADAMAS.

5           5.       BELL and SALAZAR formed ADAMAS for the primary purpose of raising funds to  
6 loan to Axiom Trading Ltd., LLC ("Axiom"), which Respondents believed to be the Texas limited  
7 liability company of Edward "Carlos" St. Mary II ("St. Mary"). St. Mary represented to Respondents  
8 that he was the president of Axiom.

9           6.       Axiom is neither a Texas limited liability company nor a Texas corporation.  
10 Respondents now believe that Axiom is a Panamanian business.

11          7.       Between July 2005 and February 2007, Respondents offered and sold to 23 investors  
12 \$1,330,500 of promissory notes issued by ADAMAS. Of the amount raised, \$640,125.94 is still  
13 owed by Respondents to investors.

14          8.       BELL and SALAZAR represented to the investors that the funds raised would be used  
15 by ADAMAS to finance loans to Axiom for the purchase of diamonds.

16          9.       St. Mary told Respondents, who in turn told investors, that the diamonds would be  
17 resold by Axiom.

18          10.      ADAMAS entered into promissory notes with each investor for the principal amount  
19 invested. The promissory notes were signed by BELL as a manager of ADAMAS.

20          11.      Each promissory note promised a return of 10% or 18%. The percentage of the return  
21 varied depending upon the duration of the investment. The 10% return was promised for a 12 week  
22 investment and the 18% return was promised for a 24 week investment.

23          12.      All investor funds were deposited into a bank account in the name of ADAMAS.

24          13.      From July 2005 to February 2007, ADAMAS and Axiom entered into six  
25 promissory notes pursuant to which ADAMAS was to make investor-funded loans to Axiom.

26

14. When the first promissory note by Axiom came due in September 2005, Axiom made an interest payment to ADAMAS that was used by ADAMAS to make interest payments to investors. Through an unwritten agreement reached between ADAMAS and Axiom, as each of the five subsequent notes came due, Axiom did not pay to ADAMAS the interest specified in the notes. Instead, ADAMAS used newly received investor funds to make payments to previous investors.

15. Of the \$1,330,500 that ADAMAS received from investors to make loans to Axiom, ADAMAS sent \$532,600 to Axiom. Axiom made payments to ADAMAS totaling \$204,000.

16. Respondents paid to themselves a portion of the investor funds that were not sent to Axiom. The payments to Respondents were made pursuant to a provision contained in an offering document provided to investors. Pursuant to the offering document, any excess earnings received by ADAMAS from Axiom over and above the payments owed to investors could be used to pay operating expenses and salaries to BELL and SALAZAR.

17. Respondents did not disclose to investors that ADAMAS did not send Axiom all of the investor funds received by ADAMAS and that ADAMAS used some of the funds to make payments to investors and payments to Respondents.

18. On April 10, 2008, ADAMAS filed a lawsuit in Maricopa County Superior Court against Axiom and St. Mary in CV2008-008024. On July 31, 2008 ADAMAS obtained a default judgment against Axiom and St. Mary.

## II.

## CONCLUSIONS OF LAW

1. The Commission has jurisdiction over this matter pursuant to Article XV of the Arizona Constitution and the Securities Act.

2. Respondents offered or sold securities within or from Arizona, within the meaning of A.R.S. §§ 44-1801(15), 44-1801(21), and 44-1801(26).

3. Respondents violated A.R.S. § 44-1991 by making untrue statements or misleading omissions of material facts. Respondents' conduct includes failing to disclose to investors that

1 ADAMAS did not send Axiom all of the investor funds received by ADAMAS and that ADAMAS  
2 used some of the funds to make payments to investors and payments to Respondents.

3 4. Respondents' conduct is grounds for a cease and desist order pursuant to A.R.S.  
4 § 44-2032.

5 5. Respondents' conduct is grounds for an order of restitution pursuant to A.R.S. § 44-  
6 2032.

7 6. Respondents' conduct is grounds for administrative penalties under A.R.S. § 44-  
8 2036.

9 7. Respondents acted for the benefit of their respective marital communities and,  
10 pursuant to A.R.S. §§ 25-214 and 25-215, this Order of restitution and administrative penalties is a  
11 debt of the communities.

### 12 III.

### 13 ORDER

14 THEREFORE, on the basis of the Findings of Fact, Conclusions of Law, and Respondents'  
15 consent to the entry of this Order, attached and incorporated by reference, the Commission finds  
16 that the following relief is appropriate, in the public interest, and necessary for the protection of  
17 investors:

18 IT IS ORDERED, pursuant to A.R.S. § 44-2032, that Respondents and any of their agents,  
19 employees, successors, and assigns permanently cease and desist from violating the Securities Act.

20 IT IS FURTHER ORDERED that Respondents comply with the attached Consent to Entry  
21 of Order.

22 IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2032, that Respondents, jointly and  
23 severally, shall pay restitution to the Commission in the principal amount of \$640,125.94. The  
24 principal amount outstanding shall accrue interest at the rate of 10 percent beginning January 1,  
25 2011.

1 Investors will have the option to waive restitution (principal amount) owed by Respondents  
2 after receiving a copy of this Order. The Securities Division shall forward a copy of this Order and  
3 a restitution waiver election form to each investor shown on the records of the Commission.  
4 Investors will have until December 31, 2010 to return the restitution waiver form to the Securities  
5 Division. If any investor chooses to waive restitution, any principal amount that would have been  
6 paid to that investor in accordance with this Order shall be deducted from the total amount of  
7 restitution (principal amount) owed by Respondents. If the Securities Division does not receive a  
8 fully executed restitution waiver election form from an investor by December 31, 2010, the investor  
9 will be deemed to have rejected the waiver of restitution (principal amount).

10 Beginning January 1, 2011, any principal amount of restitution outstanding shall accrue  
11 interest at the rate of 10 percent per annum until paid in full. Payment shall be made to the "State  
12 of Arizona" to be placed in an interest-bearing account controlled by the Commission.

13 The Commission shall disburse the funds on a pro-rata basis to investors shown on the  
14 records of the Commission. Any restitution funds that the Commission cannot disburse because an  
15 investor refuses to accept such payment, or any restitution funds that cannot be disbursed to an  
16 investor because the investor is deceased and the Commission cannot reasonably identify and  
17 locate the deceased investor's spouse or natural children surviving at the time of the distribution,  
18 shall be disbursed on a pro-rata basis to the remaining investors shown on the records of the  
19 Commission. Any funds that the Commission determines it is unable to or cannot feasibly disburse  
20 shall be transferred to the general fund of the state of Arizona.

21 IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2036, that Respondents, jointly and  
22 severally, shall pay an administrative penalty in the amount of \$50,000. Payment is due in full on  
23 the date of this Order. Payment shall be made to the "State of Arizona." Any amount outstanding  
24 shall accrue interest as allowed by law from the date of this Order until paid in full.  
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1 IT IS FURTHER ORDERED that payments received by the state of Arizona shall first be  
2 applied to the restitution obligation. Upon payment in full of the restitution obligation, payments  
3 shall be applied to the penalty obligation.

4 For purposes of this Order, a bankruptcy filing by any of the Respondents shall be an act of  
5 default. If any Respondent does not comply with this Order, any outstanding balance may be  
6 deemed in default and shall be immediately due and payable.

7 IT IS FURTHER ORDERED that, if any Respondent fails to comply with this order, the  
8 Commission may bring further legal proceedings against that Respondent, including application to  
9 the superior court for an order of contempt.

10 IT IS FURTHER ORDERED that no finding of fact or conclusion of law contained in this  
11 Order shall be deemed binding against any Respondent under this Docket Number who has not  
12 consented to the entry of this Order.

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1 IT IS FURTHER ORDERED that this Order shall become effective immediately.

2 BY ORDER OF THE ARIZONA CORPORATION COMMISSION

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5 CHAIRMAN

COMMISSIONER

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7 COMMISSIONER

COMMISSIONER

COMMISSIONER

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9 IN WITNESS WHEREOF, I, ERNEST G. JOHNSON,  
10 Executive Director of the Arizona Corporation Commission,  
11 have hereunto set my hand and caused the official seal of the  
12 Commission to be affixed at the Capitol, in the City of  
13 Phoenix, this \_\_\_\_\_ day of \_\_\_\_\_, 2010.

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ERNEST G. JOHNSON  
EXECUTIVE DIRECTOR

DISSENT

DISSENT

20 This document is available in alternative formats by contacting Shaylin A. Bernal, ADA  
21 Coordinator, voice phone number 602-542-3931, e-mail [sabernal@azcc.gov](mailto:sabernal@azcc.gov).

22 (ASL)



**CONSENT TO ENTRY OF ORDER**

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2           1.       Respondents admit the jurisdiction of the Commission over the subject matter of this  
3 proceeding. Respondents acknowledge that they have been fully advised of their right to a hearing  
4 to present evidence and call witnesses and they knowingly and voluntarily waive any and all rights  
5 to a hearing before the Commission and all other rights otherwise available under Article 11 of the  
6 Securities Act and Title 14 of the Arizona Administrative Code. Respondents acknowledge that  
7 this Order To Cease And Desist, for Restitution, and for Administrative Penalties ("Order")  
8 constitutes a valid final order of the Commission.

9           2.       Respondents knowingly and voluntarily waive any right under Article 12 of the  
10 Securities Act to judicial review by any court by way of suit, appeal, or extraordinary relief  
11 resulting from the entry of this Order.

12           3.       Respondents acknowledge and agree that this Order is entered into freely and  
13 voluntarily and that no promise was made or coercion used to induce such entry.

14           4.       Respondents acknowledge that they have been represented by an attorney in this  
15 matter, Respondents have reviewed this Order with Respondent's attorney, Alan S. Baskin, and  
16 understand all terms it contains.

17           5.       Respondents neither admit nor deny the Findings of Fact and Conclusions of Law  
18 contained in this Order. Respondents agree that they shall not contest the validity of the Findings  
19 of Fact and Conclusions of Law contained in this Order in any present or future proceeding in  
20 which the Commission or any other state agency is a party concerning the denial or issuance of any  
21 license or registration required by the state to engage in the practice of any business or profession.

22           6.       By consenting to the entry of this Order, Respondents agree not to take any action or  
23 to make, or permit to be made, any public statement denying, directly or indirectly, any Finding of  
24 Fact or Conclusion of Law in this Order or creating the impression that this Order is without factual  
25 basis. Respondents will undertake steps necessary to assure that all of their agents and employees  
26 understand and comply with this agreement. Notwithstanding the foregoing, this Order is not

1 intended to collaterally estop, factually bind or preclude Respondents from defending themselves in  
2 any administrative, civil or criminal proceedings to which the Commission is not a party.

3 7. While this Order settles this administrative matter between Respondents and the  
4 Commission, it is understood by Respondents that this Order does not preclude the Commission  
5 from instituting other administrative or civil proceedings based on violations that are not addressed  
6 by this Order.

7 8. Respondents understand that this Order does not preclude the Commission from  
8 referring this matter to any governmental agency for administrative, civil, or criminal proceedings  
9 that may be related to the matters addressed by this Order.

10 9. Respondents understand that this Order does not preclude any other agency or  
11 officer of the state of Arizona or its subdivisions from instituting administrative, civil, or criminal  
12 proceedings that may be related to matters addressed by this Order.

13 10. Respondents agree that they will not apply to the state of Arizona for registration as  
14 a securities dealer or salesman or for licensure as an investment adviser or investment adviser  
15 representative until such time as all restitution and penalties under this Order are paid in full.

16 11. Respondents agree that they will not exercise any control over any entity that offers  
17 or sells securities or provides investment advisory services within or from Arizona until such time  
18 as all restitution and penalties under this Order are paid in full.

19 12. Respondents agree that they will not sell any securities in or from Arizona without  
20 being properly registered in Arizona as a dealer or salesman, or exempt from such registration;  
21 Respondents will not sell any securities in or from Arizona unless the securities are registered in  
22 Arizona or exempt from registration; and, Respondents will not transact business in Arizona as an  
23 investment adviser or an investment adviser representative unless properly licensed in Arizona or  
24 exempt from licensure.

25 13. Respondents agree that they will continue to cooperate with the Securities Division  
26 by, including but not limited to, providing complete and accurate testimony at any hearing in this

1 matter and cooperating with the state of Arizona in any related investigation or any other matters  
2 arising from the activities described in this Order.

3 14. Respondents consent to the entry of this Order and agree to be fully bound by its  
4 terms and conditions.

5 15. Respondents acknowledge and understand that, if they fail to comply with the  
6 provisions of the order and this consent, the Commission may bring further legal proceedings  
7 against them, including application to the superior court for an order of contempt.

8 16. Respondents understand that default shall render them liable to the Commission for  
9 its costs of collection and interest at the maximum legal rate.

10 17. Respondents agree and understand that, if they fail to make any payment as required  
11 in the Order, any outstanding balance shall be in default and shall be immediately due and payable  
12 without notice or demand. Respondents agree and understand that acceptance of any partial or late  
13 payment by the Commission is not a waiver of default by the Commission.

14 18. BELL represents that he is a manager of ADAMAS and has been authorized by  
15 ADAMAS to enter into this Order for and on behalf of it.

16  
17   
18 MICHAEL T. BELL

19 STATE OF ARIZONA )  
20 ) ss  
County of Maricopa )

21 SUBSCRIBED AND SWORN TO BEFORE me this 20<sup>th</sup> day of September, 2010.

22   
23 NOTARY PUBLIC

24 My commission expires:

25 May 14, 2013  
26



SHAWN R. SALAZAR

STATE OF \_\_\_\_\_ )  
 ) ss  
County of \_\_\_\_\_ )

SUBSCRIBED AND SWORN TO BEFORE me this \_\_\_\_ day of \_\_\_\_\_, 2010.

NOTARY PUBLIC

My commission expires:

ADAMAS INVESTMENTS, LLC



By: Michael T. Bell

Its: Manager

STATE OF ARIZONA )  
 ) ss  
County of Maricopa )

SUBSCRIBED AND SWORN TO BEFORE me this 20<sup>th</sup> day of September, 2010.

  
NOTARY PUBLIC

My commission expires:

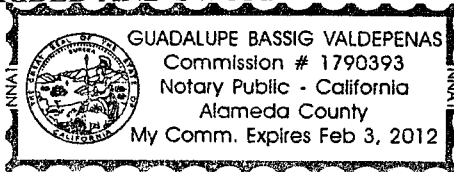
May 14, 2013



  
SHAWN R. SALAZAR

STATE OF California )  
County of Alameda ) ss

SUBSCRIBED AND SWORN TO BEFORE me this 20<sup>th</sup> day of September, 2010.



  
NOTARY PUBLIC

My commission expires:

02-03-2012

ADAMAS INVESTMENTS, LLC

By: Michael T. Bell

Its: Manager

STATE OF ARIZONA )  
County of Maricopa ) ss

SUBSCRIBED AND SWORN TO BEFORE me this \_\_\_\_ day of \_\_\_\_\_, 2010.

\_\_\_\_\_  
NOTARY PUBLIC

My commission expires:

SERVICE LIST FOR: In the Matter of Michael T. Bell, et al.

Mr. Alan S. Baskin, Esq.  
BADE & BASKIN, PLC  
80 E. Rio Salado Parkway, Suite 515  
Tempe, Arizona 85281-0001